



MASSACHUSETTS
CLEAN WATER TRUST

STEPS TO COMPLETING THE SRF LOAN PROCESS

April 2017



Massachusetts Department of Environmental Protection



MASSACHUSETTS
CLEAN WATER TRUST

**Sue Perez
Nate Keenan
Heidi Walsh**



Massachusetts
Department
of
ENVIRONMENTAL
PROTECTION

**Steven McCurdy
Jane Peirce**



Steps to Financing

- ✓ **Intended Use Plan - Done**
 - **Local Authorization by **June 30, 2017****
 - **Loan Application to MassDEP by **October 13, 2017****
 - **Project Approval Certificate - MassDEP**
 - **Loan Commitment from MCWT**
 - **Procurement Process - Authorization to Award - MassDEP**
 - **Project Regulatory Agreement - MassDEP**
 - **Financing Agreement - MCWT**
 - **Loan Closing- MCWT**
 - **Short Term Loans (Interim Loans)**
 - **Permanent Loans**

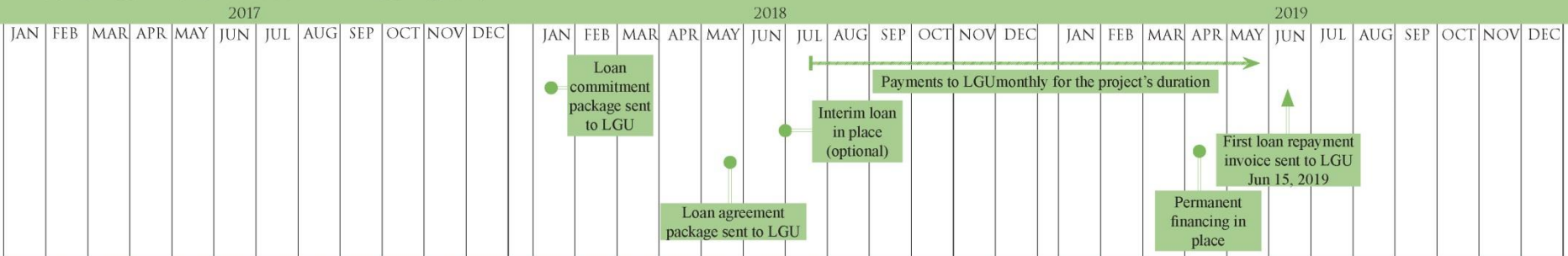


Project Duration 
 Deadline Dates 
 Flexible Dates 

STATE REVOLVING FUND

TYPICAL 2017 INTENDED USE PLAN (IUP) PROJECT TIMELINE

MASSACHUSETTS CLEAN WATER TRUST (CWT)



MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION (MASSDEP)



COMMUNITY/LOCAL GOVERNMENTAL UNIT (LGU)



2017 Borrower Meeting

Local Authorization

Town Meeting/City Council Vote:

- Must be voted by **June 30, 2017**
- General Obligation Pledged as Security
- Authorization to Borrow
- Appropriation
 - Make sure you ask for enough. Include:
 - Eligible and ineligible costs
 - Construction Management Fees
 - Police Details
 - Inflation





Loan Application & Project Approval Certificate (PAC)

- Loan Application is due to MassDEP **October 13, 2017**
- After review of the Loan Application, a Project Approval Certificate (PAC) is issued by MassDEP to MCWT
- PAC certifies to the MCWT that the project is eligible to receive SRF financing
- MassDEP must issue PAC by **December 31, 2017**
- Copies of PAC are emailed to Borrower and their consultant



Loan Commitment Package

- **CWT Board of Trustees approval vote creates Commitment to Borrower**
- **The Loan Commitment Package is emailed to Treasurer/Financial Officer and includes:**
 - **Loan Commitment Document**
 - **Requirements Letter Outlining step by step process to close the loan**
 - **Loan Questionnaire to be filled out by Borrower**
- **Borrower needs to:**
 - **Request Green Light Letter- from local bond counsel**
 - **Return one (1) signed questionnaire to MCWT**



Loan Questionnaire

- **Borrower provides:**
 - **Updated, accurate information in order for MCWT to comply with the tax code as it applies to tax exempt bonds**
 - **One (1) completed questionnaire loan process and one (1) verification form before permanent financing**
 - **Accurate wiring instructions for loan disbursements**



Green Light Letter and Bond

- **Borrower's Bond Counsel prepares:**
 - **"Green Light Letter,"** which is sent to MCWT certifying that the local vote is legal
 - **Local bond and Interim Loan Note** for delivery to the MCWT for interim and permanent loan
 - **MCWT does not finance local costs for bond counsel**



Borrower Procurement Process

Project Bidding generally occurs between **January 1 and June 30**

- Before bidding, MassDEP must give “Permission to Advertise”
- After bid opening, MassDEP Civil Rights Section reviews and approves Disadvantaged Business Enterprise (DBE) participation
- MassDEP reviews bid results and issues “Authorization to Award”
 - *2016 Projects receiving Principal Forgiveness must have signed construction contracts by **June 30, 2017***
 - *2017 projects receiving Principal Forgiveness must have signed construction contracts by **June 30, 2018***

MassDEP Project Regulatory Agreement (PRA)

- **Contract between MassDEP and the Borrower**
- **Establishes MassDEP control over project**
 - **Outlines project eligibility and funding**
 - **Establishes disbursement procedures**
 - **Outlines the loan closeout process**
 - **Includes the legal requirements of the borrower**
 - **Discusses project defaults and how to remedy**
- **PRA is usually issued concurrently with the “Authorization to Award” or shortly thereafter**

Financing Agreement

The Financing Agreement is voted by the MCWT

- **Outlines MCWT and Borrower's responsibilities**
- **States how a loan default can occur and how to cure the default**

Borrower returns the loan questionnaire and green light letter. MCWT sends Borrower a package containing:

- **Two (2) copies of the PRA**
- **Two (2) copies of the Financing Agreement**

Borrower signs and returns to MCWT:

- **One (1) copy of the PRA**
- **One (1) copy of the Financing Agreement**





Disbursements

- **Payment requisition with appropriate documentation (receipts, invoices, etc.) is submitted to MassDEP**
- **MassDEP reviews the request and approves eligible costs**
- **MassDEP forwards the request to the MCWT**
- **MCWT wires to Borrowers every Thursday with funds often available the next day**

Interim Financing

- **Lower cost than BANs**
 - **0% Interest Rate for loans with PRAs approved after April 1, 2016**
 - **Interim loan fee has been eliminated for loans with PRAs approved after April 1, 2016**
- **Bond counsel issues interim loan note to MCWT**
- **Interim loans are usually permanently financed within one year**
- **Most borrowers use interim financing**
- **If you don't use interim financing you won't receive any disbursements until the Trust goes to market for permanent financing.**



Loan Terms and Fees

	Clean Water & Drinking Water	Interim Loans
Loan Rate	2% (20 Years) Calculated (30 Years)*	0%**
Maximum Term	30 Years	1 Year
Admin. Fee	0.15%	N/A
Effective Loan Rate	2.15% (20 Years)	0%
Origination Fee (one-time)	Approx. \$5.50/\$1000***	N/A

***Rate calculated at time of bond sale, estimated between 2.4-2.9%**

**** Interim loan rate is 0.13% for PRAs approved before April 1, 2016**

***** To be determined at time of bond sale to offset costs**

Loan Repayment

- Upon permanent financing, payments are due **July 15** and **January 15**
- MCWT will send an invoice 30 days in advance
- Invoice will include wiring instructions
- Debt Service Payments
- Administrative Fee Payments
- Loan Origination Fee Payment- due at first debt service payment and is included on the repayment schedule



Debt Service Schedule (Schedule C)

Draft Schedule C

Prepared by MWPAT

Apr, 22 2014 - 4:42 PM

Massachusetts Water Pollution Abatement Trust
Preliminary Structuring Analysis
Yourtown
Loan: CW-14-2014

Initial Loan Amount	5,000,000.00	Loan Origination Fee (\$5.5/1000)	27,500.00
Principal Forgiveness		Loan Term (in years)	20
Net Loan Obligation	5,000,000.00	Loan Rate	2.00%
		Closing Date	5/31/2015
		First Interest	7/15/2015
		First Principal	1/15/2016

Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Commonwealth Assistance Principal Forgiveness	Total Debt Service	Annual Debt Service
5/31/2015								
7/15/2015		12,500.00	12,500.00	3,750.00	27,500.00		43,750.00	
1/15/2016	212,120.00	50,000.00	262,120.00	3,750.00			265,870.00	309,620.00
7/15/2016		47,878.80	47,878.80	3,590.91			51,469.71	
1/15/2017	206,681.00	47,878.80	254,559.80	3,590.91			258,150.71	309,620.42
7/15/2017		45,811.99	45,811.99	3,435.90			49,247.89	
1/15/2018	211,125.00	45,811.99	256,936.99	3,435.90			260,372.89	309,620.78
7/15/2018		43,700.74	43,700.74	3,277.56			46,978.30	
1/15/2019	215,664.00	43,700.74	259,364.74	3,277.56			262,642.30	309,620.59
7/15/2019		41,544.10	41,544.10	3,115.81			44,659.91	
1/15/2020	220,300.00	41,544.10	261,844.10	3,115.81			264,959.91	309,619.82
7/15/2020		39,341.10	39,341.10	2,950.58			42,291.68	
1/15/2021	225,037.00	39,341.10	264,378.10	2,950.58			267,328.68	309,620.37
7/15/2021		37,090.73	37,090.73	2,781.80			39,872.53	
1/15/2022	229,875.00	37,090.73	266,965.73	2,781.80			269,747.53	309,620.07
7/15/2022		34,791.98	34,791.98	2,609.40			37,401.38	
1/15/2023	234,818.00	34,791.98	269,609.98	2,609.40			272,219.38	309,620.76
7/15/2023		32,443.80	32,443.80	2,433.29			34,877.09	
1/15/2024	239,866.00	32,443.80	272,309.80	2,433.29			274,743.09	309,620.17
7/15/2024		30,045.14	30,045.14	2,253.39			32,298.53	

Contact Information

Financial

- Sue Perez 617-367-9333 x816
- Nate Keenan 617-367-9333 x508
- Heidi Walsh 617-367-9333 x351

Program

- Steve McCurdy 617-292-5779
- Jane Peirce 617-292-5808
- Don St. Marie- Northeast & Western Regions 617-292-5709
- Ashraf Gabour- Southeast & Central Regions 617-556-1076